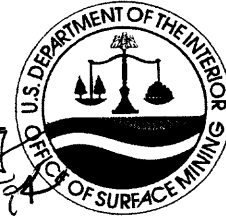
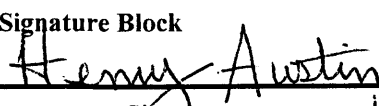
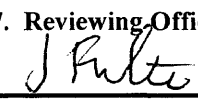




0065 U. S. DEPT. OF THE INTERIOR
RECORDS OFFICE OF SURFACE MINING
NOV 09 2007 Mine Site Evaluation
State Program



1. Permittee/Person GENWAL RESOURCES., INC.		9. Permit Number UT-015-032	10. Permit Type PP
2. Address P. O. BOX 1077		11. Field Visit Date 10/24/2007 mm - dd - yyyy	12. Purpose O
3. City Price	4. State UT	13. SRA Present Y	14. Permit Status A
5. Zip Code 84501	6. Phone Number (435) 888-4000	15. Site Status AN	16. Facility Type BG
7. Operator Name, if Different than Permittee CRANDALL CANYON # 1		17. OSM Office # 140	18. CCID #
8. Mine Name CRANDALL CANYON # 1		19. Land Code SF	20. M.S.H.A ID # 42-01715
		21. State Abrev. UT	22. County Name EMERY
		23. AVS Permittee Entity ID Number 108257	24. State Office

25. Hours 4.0 a. Permit Review 3.0 b. Site Visit Time 12.0 c. Travel Time 2.0 d. Report Writing	26. Signature Block  Signature: 11/6/07 HENRY AUSTIN ID # 116 Printed Name: Date: 11/06/2007	27. Reviewing Official:  Signature: Review Date: 11-16-07 mm - dd - yyyy Is Supplemental MSE Page Used Y/N Y
---	---	--

Permit Type — Item 10 IP = Interim Program, PP = Permanent Program, NP = No Permit		
Purpose Type Codes Item 12 Oxx... Oversight Rfx... Reclamation Fees CCR... Citizen Complaint Referral (non site visit) Axx... Assistance Fxx... Federal Actions CC... Citizen Complaint (initial site visit) CCF... Citizen Complaint Follow-up		
Joint Inspection — Item 13 A joint inspection is when a state inspector accompanies an OSM inspector any time during the review of the mine site.		
Permit Status — Item 14 AB... Abandoned: All surface and underground coal mining activities have ceased and operator has left the site without completing reclamation as defined in 30 CFR 840.11(g) A... Active: Coal mining and reclamation activities occurring or permitted but not yet disturbed. IN... Inactive (Permanent Program Permit): Phase II completed or Temporary Cessation of Operations. (Interim Program Permit) Coal mining completed and reclamation activities initiated. BR... Bond Release: Reclamation completed and State Regulatory Authority (RA) has released all of the bond (Phase III Release.) AB1... Bond Forfeiture: Bond forfeiture officially in process or completed, and, reclamation in progress or not yet commenced. AB2... Partially Reclaimed Forfeiture: Forfeited site where all bonds have been used to reclaim site, but site not reclaimed to Program standards. AB3... Reclaimed Forfeiture: Forfeited site that has been reclaimed to Program standards. NA... Not Applicable: When site is unpermitted.		
Site Status Codes — Item 15 ND... No Disturbance: No coal mining and reclamation operations have been started. EX... Coal Exploration: Coal exploration operations have started and where coal mining operations have not begun. AP... Active Coal Producing: Coal surface mining activities are occurring. AN... Active Non-Producing: Active non-producing facility such as tippie or preparation plant. NM... No Mining: The Permit Status is active, site is not in Temporary Cessation, no surface coal mining activity, and site not regraded. MC... Mining Complete: No mining activity on site, site regraded and awaiting phase bond release. TC... Temporary Cessation: The RA has granted cessation of mining pursuant to 30 CFR 816/817.131(b). P1... Phase I Release: At least Phase I bond release granted for entire permitted area. For interim permits, partial bond release. P2... Phase II Release: At least Phase II bond release for the entire permitted area. P3... Phase III Release: Reclamation completed and the RA has released all bond. NS... Non-Site Visit: Status of site not determined. FP... Forfeiture Pending: The RA is pursuing actions to revoke the permit, collect the performance bond(s), and/or reclamation of forfeited site is in progress. FR... Forfeited and Reclaimed: Forfeiture reclamation completed. FO... Abandoned Site: Abandoned site that is permitted but there is no bond. WC... Wildcat: Coal mining and reclamation operations have or are taking place and the activity is not covered by the required permits from the RA.		
Facility Type Codes — Item 16 A... Surface D... Ancillary (Haulroad, Conveyor, and/or Rails) H... Exploration Permits L... Remining site permitted under 30 CFR 785.25 B... Underground E... Refuse and/or Impoundment I... Notice of Intent to Explore C... Preparation Plant F... Loading Facility and/or Tippie J... Exempt 16 and 2/3 G... Stockpiles K... Government Financed Construction Exemption		

Small Business Regulatory Enforcement Fairness Act (SBREFA)
Your Comments Are Important

The Small Business and Agriculture Regulatory Enforcement Ombudsman and 10 Regional Fairness Boards were established to receive comments from small businesses about Federal agency enforcement actions. The Ombudsman will annually evaluate the enforcement activities and rate each agency's responsiveness to small business. If you are a small business (a business with 500 or fewer employees including those of affiliates) and wish to comment on the enforcement or compliance activities of OSM, call 1-888-REG-FAIR (1-888-734-3247).

U. S. DEPT. OF THE INTERIOR OFFICE OF SURFACE MINING

Mine Site Evaluation

State Program

Permittee/
Person

GENWAL RESOURCES.,

Permit
Number

UT-015-032

Field Visit
Date

10/24/2007

Continuation Page

28. Performance Standard Categories

Codes: 1=Compliance, 2=Noncompliance, 3=Not Planned, 4=Not Started, 5=Noncompliance Identified Elsewhere, 6=Previously Cited

A. Administrative 1. <u> </u> Mining within Valid Permit 2. <u> </u> Mining within Bonded Area 3. <u> </u> Terms & Conditions of Permit 4. <u> </u> Liability Insurance 5. <u> </u> Ownership and Control 6. <u> </u> Temporary Cessation 7. <u> </u> AML Rec. Fees -- Non-Respondent 8. <u> </u> AML Rec. Fees -- Failure to Pay	B. Hydrologic Balance 1. <u> </u> Drainage Control 2. <u> </u> Inspections & Certifications 3. <u> </u> Siltation Structures 4. <u> </u> Discharge Structures 5. <u> </u> Diversions 6. <u> </u> Effluent Limits 7. <u> </u> Ground Water Monitoring 8. <u> </u> Surface Water Monitoring 9. <u> </u> Drainage -- Acid-Toxic Materials 10. <u> </u> Impoundments 11. <u> </u> Stream Buffer Zones	C. Topsoil & Subsoil 1. <u> </u> Removal 2. <u> </u> Substitute Materials 3. <u> </u> Storage and Protection 4. <u> </u> Redistribution	D. Backfilling & Grading 1. <u> 1 </u> Exposed Openings 2. <u> 1 </u> Contemporaneous Reclamation 3. <u> 1 </u> Approximate Original Contour 4. <u> </u> Highwall Elimination 5. <u> </u> Steep Slopes (includes downslope) 6. <u> </u> Handling of Acid & Toxic Materials 7. <u> </u> Stabilization (rills and gullies)	E. Excess Spoil Disposal 1. <u> </u> Placement 2. <u> </u> Drainage Control 3. <u> </u> Surface Stabilization 4. <u> </u> Inspections & Certifications	F. Coal Mine Waste (Refuse Piles/Impoundments) 1. <u> </u> Drainage Control 2. <u> </u> Surface Stabilization 3. <u> </u> Placement 4. <u> </u> Inspections and Certifications 5. <u> </u> Impounding Structures	G. Use Of Explosives 1. <u> </u> Blaster Certification 2. <u> </u> Distance Prohibitions 3. <u> </u> Blast Survey/Schedule 4. <u> </u> Warnings & Records 5. <u> </u> Control of Adverse Effects	H. <u> </u> Subsidence Control Plan I. Roads 1. <u> </u> Road Construction 2. <u> </u> Certification 3. <u> </u> Drainage 4. <u> </u> Surfacing and Maintenance 5. <u> </u> Reclamation	J. Signs & Markers 1. <u> </u> Signs 2. <u> </u> Markers	K. <u> </u> Distance Prohibitions L. Revegetation 1. <u> </u> Vegetative Cover 2. <u> </u> Timing	M. <u> </u> Postmining Land Use N. Other
--	---	--	--	---	--	--	---	---	--	---

General
Performance
Category

 D 1 1) Rescue bore hole
 2)
 3)

Performance Standard Categories 30 CFR Counterpart

A. Administrative.....	
1. Valid Permit.....	773.11
2. Mining within Bonded Area.....	773.11
3. Terms & Conditions of Permit.....	773.17
4. Liability Insurance.....	800.60
5. Ownership and Control.....	778.13
6. Temporary Cessation.....	842.11(e) & 816/817.131
7. AML Rec. Fees -- Non-Respondant.....	870.15(b)
8. AML Rec. Fees -- Failure to Pay.....	870.15(a)
B. Hydrologic Balance.....(816/817.41-57)	
1. Drainage Control.....	45
2. Inspections & Certifications.....	49(a)(10)
3. Siltation Structures.....	46
4. Discharge Structures.....	47
5. Diversions.....	43
6. Effluent Limits.....	42
7. Ground Water Monitoring.....	41(c)
8. Surface Water Monitoring.....	41(e)
9. Drainage--Acid - Toxic Materials.....	41(f)
10. Impoundments.....	49
11. Stream Buffer Zones.....	57
C. Topsoil & Subsoil.....(816/817.22)	
1. Removal.....	22(a)
2. Substitute Materials.....	22(c)
3. Storage and Protection.....	22(c)
4. Redistribution.....	22(d)
D. Backfilling & Grading.....(816/817.95-107)	
1. Exposed Openings.....	816/817.13, 14, 15, & 823.11 & 21
2. Contemporaneous Reclamation.....	100
3. Approximate Original Contour.....	102(a)(1)
4. Highwall Elimination.....	102(a)(2)
5. Steep Slopes (includes downslope).....	107
6. Handling of Acid & Toxic Materials.....	102(c)
7. Stabilization (rills and gullies).....	95(b)
E. Excess Spoil Disposal.....(816/817.71-74)	
1. Placement.....	71(e)
2. Drainage Control.....	71(f)
3. Surface Stabilization.....	71(g)
4. Inspections & Certifications.....	71(h)
F. Coal Mine Waste (Refuse Piles/Impoundments)(816/817.81-84)	
1. Drainage Control.....	83(a)
2. Surface Stabilization.....	83(b)
3. Placement.....	83(c)
4. Inspections and Certifications.....	83(d)
5. Impounding Structures.....	84
G. Use of Explosives.....(816/817.61-68)	
1. Blaster Certification.....	61(c)
2. Distance Prohibitions.....	61(d)
3. Blast Survey/Schedule.....	62-64
4. Warnings & Records.....	66 & 68
5. Control of Adverse Effects.....	67
H. Subsidence Control Plan.....(817.121-122)	
I. Roads.....(816/817.150-151)	
1. Road Construction.....	150(c)
2. Certification.....	151(a)
3. Drainage.....	150(b)-151(d)
4. Surfacing and Maintenance.....	150(e)-151(d)
5. Reclamation.....	150(f)
J. Signs & Markers(816/817.11)	
1. Signs.....	11(a),(b),&(c)
2. Markers.....	11(a),(b),(d),(e),&(f)
K. Distance Prohibitions.....(761.11)	
L. Revegetation.....(816/817.111-116)	
1. Vegetative Cover.....	111 & 116
2. Timing.....	113
M. Postmining Land Use.....(816/817.133)	

October 26, 2007

Genwal Resources, Inc.
Attn: Dave Shaver
PO Box 1077
Price, UT 84501

Crandall Canyon # 1 (North) Mine
October 24, 2007
Partial inspection

Participants:

Dave Shaver, Genwal Resources, Inc. (GRI)
Rod Player, United States Forest Service (USFS)
Priscilla Burton and Karl Houskeeper, Utah Division of Oil, Gas and Mining (OGM)
Christine Belka and Henry Austin, Office of Surface Mining (OSM)

This partial inspection was conducted with the above participants on October 24, 2007, to document offsite impacts and agreed upon stabilization and reclamation plans for the roads and drill pads constructed during August 2007 for the miners rescue operations at the Crandall Canyon # 1 North Mine. The OSM Denver Field Division (DFD) discussed offsite impacts with the OGM and USFS participants noted above prior to the inspection. Offsite impacts have occurred on land resources disturbed to construct roads and drill pads on previously undisturbed land in the alpine zone. Land disturbed for road and drill pad construction was USFS land, and Utah State and Institutional Trust Administration land (SITLA). The lands disturbed were not bonded under C / 015 / 0032, the approved OGM underground coal mining permit. This inspection did not document any offsite impact to water resources. DFD will determine the severity of the offsite impacts for the OSM 2008 evaluation year (prior to June 30, 2008) during further discussions and / or site inspections with OGM and other parties as necessary.

The road and drill pad disturbance was evaluated on site September 7, 2007, by GRI (Dave Shaver & Mike Glasson), OGM (Priscilla Burton & Karl Houskeeper), USFS (Tom Lloyd), SITLA (Adam Robison), and Shane Campbell of SCAMP Excavation, Inc. SCAMP has been contracted to stabilize and reclaim the disturbed areas. The September 7, 2007, disturbed area evaluation and meeting resulted in "Utah OGM Coal Program Meeting Notes" dated September 7, 2007, that captured the meeting's purpose and consensus agreements made between the parties "To discuss the reclamation work to be achieved in the next month, weather permitting, and the interim reclamation / stabilization on the remainder of the site for winter". The September 7th meeting notes are incorporated in this inspection report by reference.

Crandall Canyon #1 (North) Mine; pg. 2

A September 10, 2007, OGM letter was also mailed to the above parties, presumably as a result of the September 7th meeting, indicating that OGM would be responsible for coordinating interim stabilization and final reclamation activities. Stabilization and reclamation work completed to date, including the permanent plugging of the 7 drill holes developed for the rescue efforts, has proceeded more or less (as best as we could determine during the inspection and subsequent discussions that same day) in accordance with the September 7th meeting agreements.

The SITLA recommendation for partial roadway realignment and reclamation (for stability and safety) has been completed near the south boundary of the new disturbance and adjacent to USFS land. The approximate original contour restoration of the roadway section reclaimed looked good (partially obscured by snow cover). All mud pits have been backfilled and graded, and drill pads graded towards the cut. We only had time (before the roads surfaces defrosted-deteriorated) to walk drill pad 5 (uppermost drill pad), and the next drill pad downslope for holes 1, 2 & 7 off the same drill road. We did not have time to inspect the 3 lowest drill pads (6, 4, and 3) and the associated roadway which were below us and on steeper terrain.

Generally, the downslopes off of the cuts on the new road and pads we inspected were not as bad as I expected in terms of the amount of loose soil and rock materials and grubbed trees & shrubs. Legal location descriptions and physical information (including surface ownership) of the land disturbed for the 7 drill holes is documented in a September 26, 2007, letter from GRI to concerned parties regarding the drill hole plugging plan. This September 26 GRI letter is incorporated by reference.

On October 23, 2007, I reviewed public records at the OGM Salt Lake City office regarding recent actions at the mine. It appears approvals necessary to proceed with the drill hole plugging plan are in the record. The Bureau of Land Management (BLM-Salt Lake City office) approval letter of September 28, 2007 to GRI indicates that "...the plugging will proceed according to BLM drill hole plugging regulations: CFR 43 Sec. 3484.1 (a) (3)". The BLM letter also contains an "Explanation & Conditions of Approval". It was reported during this inspection that BLM staff were on site to observe the plugging of drill holes 3 & 4. Both holes 3 & 4 intercepted the mine workings on the federal coal lease. It was reported after the inspection that BLM had cited a non-compliance, presumably with the drill hole plugging procedures observed. I did not receive any details of the BLM citation as it was reported. I voice mailed the BLM's Price, UT, office on October 26, 2007 to obtain more information regarding the BLM non-compliance issue (I phoned Sue Wiler who was listed in the records reviewed as planning to observe the drill hole plugging on behalf of BLM).

Water ditches (blow outs) on the roadways were partially completed, and their installation requirements (in accordance with Forest Water Quality Guidelines) are discussed in the September 7th meeting notes. Excelsior logs are to be placed at discharges from the water ditches and this has not been completed.

Crandall Canyon #1 (North) Mine, pg 3

More water ditches are required on the steeper section of the roadway inspected (to drill holes 1, 2 & 7) and this has not been completed. The roadway to drill holes 6,4, and 3 is located on even steeper terrain. As mentioned above, we did not inspect the lower section of roadway. We also did not inspect the shot hole area uphill from us. There is a spring on the unofficial USFS site map east of the shot hole area. This concluded our inspection of the drill hole roadways and pads.

As we were driving off the disturbed areas and back on USFS lands where the SCAMP equipment was parked, we unexpectedly met USFS staff Tom Lloyd and Mesia Nyman. We stopped and discussed the stabilization work completed to date, and discussed water ditch installation requirements. We also discussed GRI grading the USFS public roadway up to this area (the well area) as soon as possible to take advantage of the moisture remaining in the roadway after recent snow melt.

Again, as we drove down the USFS road from the well area, we unexpectedly met three SITLA staff driving up to the disturbed area. Adam Robison was present and is the SITLA designee for this reclamation project. We all stopped and had an opportunity to discuss the stabilization and reclamation work completed to date, and make recommendations on how to proceed based on projected weather during this next week. We agreed to focus on completing stabilization efforts, particularly the water blow outs for the road, and if possible to complete the stabilization work without using the track hoe. It appears that a permanent seeding mixture has been used to date (150 lbs. of seed according to SITLA representatives).

Mrs. Burton summarized the meeting discussions for all, and reiterated commitments made by GRI to proceed with the USFS public road grading as soon as possible, and contacting SCAMP construction on how to proceed. All parties agreed that the SCAMP construction crew needed more direct on site supervision of the work to ensure the stabilization and reclamation completed this next 1 to 2 weeks or however long the weather allows meets the intent and directions set forth in the September 7th meeting notes. All parties also agreed that SCAMP crews should begin earth work before sun up if possible, and consider working at night to the extent possible given safety factors, equipment limitations, and the like.

OSM acknowledges that all parties have done a good job of coordinating these stabilization and reclamation activities after conclusion of the mine rescue operations. The September 7th meeting agreements between all parties, and OGM acting as coordinator of these activities under these circumstances is note worthy and difficult at best. We discussed the need for OGM approval of a written reclamation plan via a mine permit revision(s) approved in accordance with all applicable Utah rules including R 645-300 (Public Participation), bonding revision, design submittals for proposed final reclamation configurations, and approved alternative post mining land uses if necessary. The public participation and review requirements of Utah Rule 645-300 will ensure comments and compliance with applicable USFS, BLM, SITLA, and local governmental land use requirements as well as OGM rules and input from the public at large. The parties agreed to schedule a meeting to begin the OGM permit revision process to address the above as soon as practicable.

Crandall Canyon #1 (North) Mine, pg. 4

Karl Houskeeper, Christine Belka, and I drove to the Crandall Canyon Mine facility and portal area. We identified ourselves to mine security. We drove to the main underground entry portal for the # 1 North Mine. Permanent block seals have been completed on this portal and workmen were removing the metal housing on the adjacent fan portal. The south portals (across Crandall Creek) remain open and ventilation was in operation. The mine facility storage and parking areas were generally well maintained. Mr. Houskeeper required the permittee to removal mine equipment that did not belong in the company –staff automobile parking area. This concluded our inspection.

My records review on October 23rd at the OGM Salt Lake City office included the following: OGM mining permit for the Crandall Canyon Mine effective 5/10/05 through 5/13/08; 2/13/07 ANDALEX letter to BLM regarding the South Crandall Mine Lease (UTU-78953) indicating longwall mining will resume in 2010 if the South Crandall Lease is added to the existing logical mining unit; reclamation cost estimate review dated 4/12/07 (OGM midterm review determined bonding was inadequate); liability insurance current through 6/1/08 (Federal Insurance & Lexington National Union Fire Insurance Co.); 5/7/07 letter from Utah DEQ to UtahAmerican Energy, Inc. regarding the salinity offset program funding for their three mining operations; 8/13/07 BLM letter to UtahAmerican Energy Inc. regarding approval of a minor coal exploration plan (to facilitate rescue operations) on federal coal lease UTU-68082; 8/14/07 OSM-AVS e-mail to OGM; 8/15/07 BLM letter to GRI (UtahAmerican Energy, Inc.) regarding BLM and USFS emergency action provisions for NEPA compliance; 8/20/07 BLM letter to UtahAmerican Energy, Inc. regarding cessation of pillar recovery from the # 1 North Mine; 8/27/07 ownership and control change approval; 9/20/07 OGM letter to U.S. Senate HELP Committee; 9/6/2007 OGM letter to ANDALEX regarding temporary cessation requirements; 9/26/07 GRI drill hole plugging plan; 9/27/07 SITLA approval letter for GRI drill hole plugging plan; 9/28/07 BLM letter approving the GRI drill hole plugging plan subject to BLM approval conditions in the letter; and the 10/5/2007 BLM letter to GRI approving a temporary interruption in coal severance and conditions for idling (BLM approval of portal sealing for the # 1 North Mine).

The Office of Surface Mining Reclamation and Enforcement (OSM), Western Region, DFD, offers our sympathy to the entire Genwal Resources, Inc. staff, and the families and friends of the deceased miners and rescuers at the Crandall Canyon # 1 North Mine

Address any questions concerning this inspection report to Henry Austin, Senior Reclamation Specialist, at haustin@osmre.gov or to (303) 844-1400 x1466.